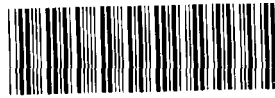


SEC

05040181

MISSION



VF 4-28-05

OMB APPROVAL

OMB Number: 3235-0123
Expires: January 31, 2007
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hours per response..... 12.00

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER

8- 42245

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ASHTON CAPITAL MANAGEMENT, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

8880 RIO SAN DIEGO DRIVE

(No. and Street)

SAN DIEGOCA92108

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
KATHLEEN SHAVE 619-574-6303

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BAGELL, JOSEPHS & COMPANY, LLC

(Name - if individual, state last, first, middle name)

200 HADDONFIELD BERLIN ROAD, STE 400 - 100 EXCHANGE COMMISSION

(Address)

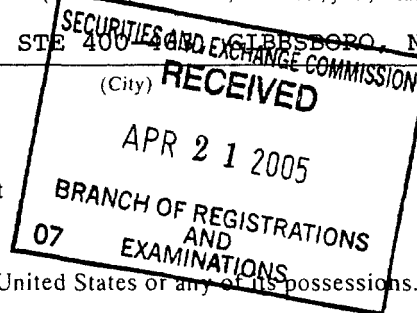
(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.



PROCESSED

MAY 06 2005

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

KJ
5/5

OATH OR AFFIRMATION

I, KATHLEEN SHAVE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ASHTON CAPITAL MANAGEMENT, INC., as of DECEMBER 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Signature

Title

Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Ashton Capital Management, Inc.

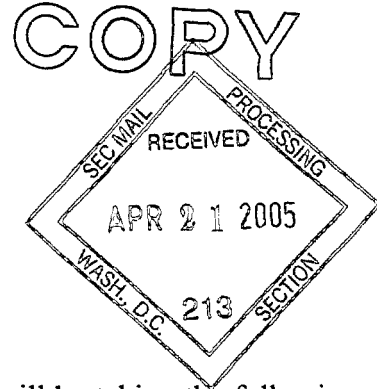
8880 Rio San Diego Drive, Ste 315

San Diego, CA 92108

619-574-6300 619-574-6333 fax

April 18, 2005

Peggy O'Reilly
Associate Examiner
NASD
300 South Grand Ave
Suite 1600
Los Angeles, CA 90071-3126
(delivered via fax 213-617-3299)



Dear Peggy,

To follow up from our correspondence on April 8, 2004, we will be taking the following steps to correct the deficiencies noted in your April 1, 2005 letter.

1. Pursuant to a conversation with our accounting firm Bagell Josephs and Co., L.L.C. and Ashton Capital Management, Inc's FINOP, Brian Zucker will be revising and resubmitting the FOCUS filing for 12/31/04. The revision of the FOCUS report will be done this Wednesday, April 20th. To confirm our correspondence from April 8, 2005 the discrepancy occurred when the prior year's haircut of \$3,300 was inadvertently left in the system. That being said, the net worth nor any net capital computations were affected.
2. I will complete the Oath or Affirmation and have my signature notarized. This document along with copies of the 2005 annual filing and the amended 12/31/04 FOCUS will be mailed to your attention as well as to the SEC Pacific Regional Office and two copies to the SEC Washington, D.C. office. These documents will be mailed Wednesday, April 20, 2004.

If anything further is needed, please do not hesitate to contact me. I thank you for your assistance with this matter.

Sincerely,

Kathleen A. Shave
Kathleen A. Shave
President

cc: Brian Zucker, FINOP

BY CERTIFIED MAIL #7004-2510-0004-5484-1182



April 1, 2005

Ms. Kathleen A. Shave
President
Ashton Capital Management, Inc.
8880 Rio San Diego Drive, Suite 315
San Diego, CA 92108

Dear Ms. Shave:

This acknowledges receipt of your 2005 annual filing of audited financial statements made pursuant to U. S. Securities and Exchange Commission (SEC) Rule 17a-5(d) (the Rule). The report as submitted appears deficient in that it did not contain the following:

1. The Oath or Affirmation was not notarized.
2. Computation of Net Capital does not match FOCUS filing for 12-31-04.

Based on the above, your filing does not comply with the requirements of the Rule. The text of the Rule is reproduced in the NASD Manual under the section titled SEC Rules & Regulation T. We urge you to review the Rule with your independent accountant.

Pursuant to the provisions of NASD Rule 8210, we request that you send one copy of each item(s) listed above to this office and to the appropriate SEC regional or district office, and two copies to the SEC Washington, D.C. office. Your submissions must include a new completed Form X017A-5 Part III Facing Page, a copy of which is enclosed for your convenience.

Please respond to this matter by April 8, 2005. Questions may be addressed to Peggy O'Reilly, Associate Examiner, at 213-613-2637.

Sincerely,

A handwritten signature in black ink, appearing to read "Lusana Gee".

Lusana Gee
Supervisor

Enclosure: Form X-17A-5, Part III Facing Page

cc: Cindy Wong, Assistant Regional Director, Securities and Exchange Commission
Bagell, Josephs, & Company, LLC

Los Angeles District Office
300 South Grand Avenue
Suite 1600
Los Angeles, CA
90071-3126

tel 213 229 2300
fax 213 617 3299
www.nasd.com



**BAGELL, JOSEPHS
& COMPANY, L.L.C.**

Certified Public Accountants

High Ridge Commons
Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
P: 856-346-2828
F: 856-346-2852

April 8, 2005

NASD
Los Angeles District Office
Ms. Peggy O'Reilly
300 San Grande Avenue
Suite 1600
Los Angeles, CA 90071-3126

VIA FACSIMILE: 213-617-3299

Re: Ashton Capital Management, Inc.

Dear Ms. O'Reilly:

We are in receipt of your letter dated April 1, 2005. We are in the process of instructing the firm to notarize their affirmation page to the 2004 annual audit report. Additionally, the unaudited focus report will be changed to agree to the audit. Apparently, the prior year haircut of \$3,300 was still in the system inadvertently. This being said, net worth does not change.

The company anticipates to accomplish the above change in an expeditious time frame.

Very truly yours,

Neil I. Levine, CPA
Independent Auditor
Bagell, Josephs & Company, LLC

NIL/ek

cc: Ashton Capital Management, Inc.

COPY



ASHTON CAPITAL MANAGEMENT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2004

ASHTON CAPITAL MANAGEMENT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2004

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BAGELL, JOSEPHS & COMPANY, L.L.C.

Certified Public Accountants

High Ridge Commons
Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ashton Capital Management, Inc.
San Diego, California

We have audited the accompanying statement of financial condition of Ashton Capital Management, Inc. as of December 31, 2004 and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ashton Capital Management, Inc. as of December 31, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying index is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17 a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAGELL, JOSEPHS & COMPANY, LLC.

BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey

February 11, 2005

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

ASHTON CAPITAL MANAGEMENT, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004

ASSETS

ASSETS

Cash	\$ 19,023
Due from broker	23,510
Commissions receivable	3,762
Customer list, at cost, net of accumulated amortization of \$27,500	2,500
Deferred income tax asset	<u>22,200</u>

TOTAL ASSETS	<u>\$ 70,995</u>
---------------------	-------------------------

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable	<u>15,567</u>
------------------	---------------

Total liabilities	<u>15,567</u>
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COMMITMENTS AND CONTINGENCY

STOCKHOLDER'S EQUITY

Common stock, no stated value - 100,000 shares authorized; 1,000 shares issued and outstanding	6,000
Additional paid-in capital	164,300
Accumulated deficit	<u>(114,872)</u>

Total stockholder's equity	<u>55,428</u>
-----------------------------------	----------------------

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 70,995</u>
---	-------------------------

The accompanying notes are an integral part of these financial statements.

ASHTON CAPITAL MANAGEMENT, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

REVENUE	
Commissions	\$ 266,588
Due Diligence/Marketing	36,081
Interest income	<u>322</u>
TOTAL REVENUES	<u>302,991</u>
EXPENSES	
Commissions	227,145
Clearing and related costs	1,094
Office	82
Professional fees	65,606
Amortization	6,000
Other	<u>5,478</u>
TOTAL EXPENSES	<u>305,405</u>
NET LOSS	<u><u>\$ (2,414)</u></u>

The accompanying notes are an integral part of these financial statements.

ASHTON CAPITAL MANAGEMENT, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Stockholder's</u>
			<u>Capital</u>		<u>Equity</u>
Balance, January 1, 2004	1,000	\$ 6,000	\$ 164,300	\$(112,458)	\$ 57,842
Net loss	-	-	-	(2,414)	(2,414)
Balances, December 31, 2004	<u>1,000</u>	<u>\$ 6,000</u>	<u>\$ 164,300</u>	<u>\$(114,872)</u>	<u>\$ 55,428</u>

The accompanying notes are an integral part of these financial statements.

ASHTON CAPITAL MANAGEMENT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	<u>\$ (2,414)</u>
Adjustments to reconcile net loss to net cash used in operating activities:	
Amortization	6,000
Impairment of marketable security	(3,300)
Changes in assets and liabilities:	
Due from broker	92
Commissions receivable	(2,113)
Accounts payable	<u>(15,326)</u>
Total adjustments	<u>(14,647)</u>
Net cash used in operating activities	<u>(17,061)</u>
NET DECREASE IN CASH	(17,061)
CASH - BEGINNING OF YEAR	<u>36,084</u>
CASH - END OF YEAR	<u><u>\$ 19,023</u></u>
Supplemental schedule of non cash activity:	
Write off of marketable security	<u><u>\$ (3,300)</u></u>

The accompanying notes are an integral part of these financial statements.

ASHTON CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Ashton Capital Management, Inc. ("Company") is a California corporation, incorporated November 30, 1999, registered as a broker/dealer under the Securities and Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. (NASD).

The Company has an agreement ("Agreement") with a clearing broker ("Broker") to clear securities transactions, carry customers' accounts on a fully disclosed basis and perform certain recordkeeping functions. Accordingly, the Company operates under the exemptive provisions of Securities and Exchange Commission ("SEC") Rule 15c3-3(k)(2)(ii).

SECURITIES TRANSACTIONS

Securities transactions and related commission revenues and expenses are recorded on a trade date basis. Securities listed on a national exchange are valued at the last sales price on the date of valuation. Securities not listed on a national exchange are valued at the last sales price on the date of valuation or, if such price is not available, at the bid price for securities owned and the ask price for securities sold but not yet purchased at the close of business.

INCOME TAXES

Income taxes are provided in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," whereby deferred income tax assets and liabilities result from temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASHTON CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents.

The Company maintains cash and cash equivalent balances at financial institutions which are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation up to \$100,000.

CUSTOMER LIST

The customer list is recorded at cost and is being amortized over its useful life of five years as estimated by the Company's management. Amortization charged to expense at December 31, 2004 was \$6,000.

NOTE 2. CLEARING AGREEMENT

In accordance with the Agreement, all of the Company's property held by the Broker including, but not limited to, securities, deposits, monies and receivables are used as collateral to secure the Company's liabilities and obligations to the Broker.

The Company typically maintains, as collateral against losses due to potential nonperformance by its customers, deposits to cover its inventory and outstanding customer positions. The Company has restricted \$20,000 of its cash per the clearing agreement with RBC Dain Rauscher.

NOTE 3. REGULATORY NET CAPITAL REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2004, the Company has regulatory net capital of \$30,728 and a minimum regulatory net capital requirement of \$5,000.

Under the provisions of Rule 15c3-3, the Company is not required to segregate funds in a special reserve account for the exclusive benefit of customers and, is not subject to certain other requirements of the Consumer Protection Rule.

ASHTON CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

NOTE 4. RELATED PARTIES

The Company's activities are conducted using facilities of a related company at no charge.

NOTE 5. DUE FROM BROKER

Accounts receivable from the clearing organization represent the net amount relating to commissions/trading income (loss) less clearing costs. As of December 31, 2004 the balance owed by the clearing organization was \$23,510.

NOTE 6. INCOME TAXES

The Company has a net operating loss of \$(2,414) and prior year net operating losses of approximately \$115,000 that are available for up to twenty years to offset future taxable income. The tax benefit of these losses is shown as a deferred income tax asset in the financial statements.

NOTE 7. COMMITMENTS

CUSTOMER TRANSACTIONS

In the normal course of business, the Company executes, as agent, securities transactions on behalf of its customers. If the agency transactions do not settle because of failure to perform by either the customer or the counter party, the Company may be obligated to discharge the obligation of the nonperforming party and, as a result, is subject to market risk if the market value of the securities is different from the contract amount of the transactions.

The Company does not anticipate nonperformance by customers or counter parties in the above situations. The Company's policy is to monitor its market exposure and counter party risk. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counter party and customer with which it conducts business.

ASHTON CAPITAL MANAGEMENT, INC.
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
AND STATEMENT PURSUANT TO RULE 17a-5(d)(4) OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2004

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

Computation of Net Capital

Total stockholder's equity from statement of financial condition	\$ 55,428
--	-----------

Less: Non-allowable assets

Customer list	\$ 2,500
---------------	----------

Deferred income tax asset	<u>22,200</u>
---------------------------	---------------

Total non-allowable assets	<u>(24,700)</u>
-----------------------------------	------------------------

NET CAPITAL	<u>30,728</u>
--------------------	----------------------

Computation of Basic Net Capital Requirement

Minimum net capital required, 6-2/3% of \$15,567 pursuant to Rule 15c3-1	<u><u>\$ 1,038</u></u>
--	------------------------

Minimum dollar per capital requirements of reporting broker/dealer	<u><u>\$ 5,000</u></u>
--	------------------------

Minimum net capital requirements of reporting broker/dealer	<u><u>\$ 5,000</u></u>
---	------------------------

EXCESS NET CAPITAL	<u><u>\$ 25,728</u></u>
---------------------------	--------------------------------

Computation of Aggregate Indebtedness

Accounts payable	<u><u>\$ 15,567</u></u>
------------------	-------------------------

Percentage of aggregate indebtedness to net capital	<u><u>51%</u></u>
---	-------------------

Statement Pursuant to Rule 17a-5(d)(4)

A reconciliation with the Company's computation of net capital as reported in the unaudited Part IIA of Form X-17A-5 was not prepared as there are no material differences between the company's computation of net capital and the computation contained herein.

SUPPLEMENTAL INFORMATION

BAGELL, JOSEPHS & COMPANY, L.L.C.

Certified Public Accountants

High Ridge Commons
Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

REPORT ON INTERNAL CONTROL

Board of Directors
Ashton Capital Management, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Ashton Capital Management, Inc. for the year ended December 31, 2004 we considered its internal control structure, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5 (g) (1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by the Company that we considered relevant to the objectives stated in Rule 17a-5 (g) (1) in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3 (a) (11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3. We did not review practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in compliance with the requirements for prompt payment of securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

MEMBERS OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Because of inherent limitations in any internal control structures or the practices and procedures referred to above, errors or irregularities may occur and may not be detected. Also, protection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all materials respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies, which rely on Rule 17a-5 (g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

BAGELL, JOSEPHS & COMPANY, LLC.

BAGELL, JOSEPHS & COMPANY, L.L.C.

Certified Public Accountants

Gibbsboro, New Jersey

February 11, 2005

FORM X-17A-5	<h1 style="margin: 0;">FOCUS REPORT</h1> <p style="margin: 0;">(Financial and Operational Combined Uniform Single Report)</p> <p style="margin: 0;">Part IIA Quarterly 17a-5(a)</p> <p style="margin: 0; font-size: small;">INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17</p>
-------------------------	--

COVER

Select a filing method:

Basic ☒ Alternate ☐ [0011]

Name of Broker Dealer:

ASHTON CAPITAL MANAGEMENT, INC
 [0013]

Address of Principal Place of Business:

8880 RIO SAN DIEGO DRIVE
 [0020]
SAN DIEGO CA 92108
 [0021] [0022] [0023]
SEC File Number: 8- 42245
[0014]Firm ID: 26502
[0015]
 For Period Beginning 10/01/2004 And Ending 12/31/2004
 [0024] [0025]

Name and telephone number of person to contact in regard to this report:

 Name: Kathleen A. Shave Phone: (619) 574-6300
 [0030] [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

 Name: _____ Phone: _____
 [0032] [0033]

 Name: _____ Phone: _____
 [0034] [0035]

 Name: _____ Phone: _____
 [0036] [0037]

 Name: _____ Phone: _____
 [0038] [0039]
Does respondent carry its own customer accounts? Yes ☐ [0040] No ☒ [0041]Check here if respondent is filing an audited report ☒ [0042]

Amended 4/20/05 Kathleen A. Shave

ASSETSConsolidated ☐ [0198] Unconsolidated ☒ [0199]

	Allowable	Non-Allowable	Total
1. Cash	<u>19,023</u> [0200]		<u>19,023</u> [0750]
2. Receivables from brokers or dealers:			
A. Clearance account	<u>23,510</u> [0295]		
B. Other	<u>3,761</u> [0300]	<u> </u> [0550]	<u>27,271</u> [0810]
3. Receivables from non-customers	<u> </u> [0355]	<u> </u> [0600]	<u>0</u> [0830]
4. Securities and spot commodities owned, at market value:			
A. Exempted securities	<u> </u> [0418]		
B. Debt securities	<u> </u> [0419]		
C. Options	<u> </u> [0420]		
D. Other securities	<u> </u> [0424]		
E. Spot commodities	<u> </u> [0430]		<u>0</u> [0850]
5. Securities and/or other investments not readily marketable:			
A. At cost	<u> </u> [0130]		
B. At estimated fair value	<u> </u> [0440]	<u> </u> [0610]	<u>0</u> [0860]
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:	<u> </u> [0460]	<u> </u> [0630]	<u>0</u> [0880]
A. Exempted securities	<u> </u> [0150]		
B. Other securities	<u> </u> [0160]		

7.	Secured demand notes market value of collateral:	<u> </u> [0470]	<u> </u> [0640]	<u> </u> [0890]
	A. Exempted securities			
		<u> </u> [0170]		
	B. Other securities			
		<u> </u> [0180]		
8.	Memberships in exchanges:			
	A. Owned, at market			
		<u> </u> [0190]		
	B. Owned, at cost		<u> </u> [0650]	
	C. Contributed for use of the company, at market value		<u> </u> [0660]	<u> </u> [0900]
9.	Investment in and receivables from affiliates, subsidiaries and associated partnerships	<u> </u> [0480]	<u> </u> [0670]	<u> </u> [0910]
10.	Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	<u> </u> [0490]	<u> </u> [0680]	<u> </u> [0920]
11.	Other assets	<u> </u> [0535]	<u> </u> [0735]	<u> </u> [0930]
12.		<u> </u> 46,294	<u> </u> 24,700	<u> </u> 70,994
	TOTAL ASSETS	<u> </u> [0540]	<u> </u> [0740]	<u> </u> [0940]

LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	<u>[1045]</u>	<u>[1255]</u>	<u>0</u> [1470]
14. Payable to brokers or dealers:			0
A. Clearance account	<u>[1114]</u>	<u>[1315]</u>	<u>[1560]</u>
B. Other	<u>[1115]</u>	<u>[1305]</u>	<u>0</u> [1540]
15. Payable to non-customers	<u>[1155]</u>	<u>[1355]</u>	<u>0</u> [1610]
16. Securities sold not yet purchased, at market value		<u>[1360]</u>	<u>0</u> [1620]
17. Accounts payable, accrued liabilities, expenses and other	<u>15,567</u> [1205]	<u>[1385]</u>	<u>15,567</u> [1685]
18. Notes and mortgages payable:			0
A. Unsecured	<u>[1210]</u>		<u>[1690]</u>
B. Secured	<u>[1211]</u>	<u>[1390]</u>	<u>0</u> [1700]
19. Liabilities subordinated to claims of general creditors:			0
A. Cash borrowings:		<u>[1400]</u>	<u>[1710]</u>
1. from outsiders			
	<u>[0970]</u>		
2. Includes equity subordination (15c3-1(d)) of			
	<u>[0980]</u>		
B. Securities borrowings, at market value: from outsiders		<u>[1410]</u>	<u>0</u> [1720]
	<u>[0990]</u>		
C. Pursuant to secured demand note collateral agreements:		<u>[1420]</u>	<u>0</u> [1730]
1. from outsiders			

[1000]

2. Includes
equity
subordination
(15c3-1(d)) of

[1010]

D. Exchange
memberships
contributed for use of
company, at market
value

[1430]

0
[1740]

E. Accounts and other
borrowings not
qualified for net capital
purposes

[1220]

[1440]

0
[1750]

20. TOTAL LIABILITIES 15,567 [1230]

0
[1450]

15,567
[1760]

Ownership Equity

Total

21. Sole proprietorship

[1770]

22. Partnership (limited partners
[1020])

[1780]

23. Corporations:

A. Preferred stock

[1791]

B. Common stock

6,000
[1792]

C. Additional paid-in capital

164,300
[1793]

D. Retained earnings

-114,872
[1794]

E. Total

55,428
[1795]

F. Less capital stock in treasury

[1796]

24. TOTAL OWNERSHIP EQUITY

55,428
[1800]

25. TOTAL LIABILITIES AND OWNERSHIP EQUITY

70,995
[1810]

STATEMENT OF INCOME (LOSS)Period Beginning 10/01/2004
[3932]Period Ending 12/31/2004
[3933]Number of months 3
[3931]**REVENUE****1. Commissions:**

a. Commissions on transactions in exchange listed equity securities executed on an exchange	<u>2,255</u> [3935]
b. Commissions on listed option transactions	<u>[3938]</u>
c. All other securities commissions	<u>41,663</u> [3939]
d. Total securities commissions	<u>43,918</u> [3940]

2. Gains or losses on firm securities trading accounts

a. From market making in options on a national securities exchange	<u>[3945]</u>
b. From all other trading	<u>[3949]</u>
c. Total gain (loss)	<u>0</u> [3950]

3. Gains or losses on firm securities investment accounts[3952]**4. Profit (loss) from underwriting and selling groups**44,849

[3955]

5. Revenue from sale of investment company shares11,079

[3970]

6. Commodities revenue[3990]**7. Fees for account supervision, investment advisory and administrative services**608

[3975]

8. Other revenue17,144

[3995]

9. Total revenue117,598

[4030]

EXPENSES**10. Salaries and other employment costs for general partners and voting stockholder officers**[4120]**11. Other employee compensation and benefits**72,805

[4115]

12. Commissions paid to other broker-dealers[4140]**13. Interest expense**[4075]**a. Includes interest on accounts subject to subordination agreements**[4070]**14. Regulatory fees and expenses**3,490

[4195]

15. Other expenses49,214

[4100]

16. Total expenses125,509

[4200]

NET INCOME

17. Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)

-7,911

[4210]

18. Provision for Federal Income taxes (for parent only)

[4220]

19. Equity in earnings (losses) of unconsolidated subsidiaries not included above

[4222]

a. After Federal income taxes of

[4238]

20. Extraordinary gains (losses)

[4224]

a. After Federal income taxes of

[4239]

21. Cumulative effect of changes in accounting principles

[4225]

22. Net income (loss) after Federal income taxes and extraordinary items

-7,911

[4230]

MONTHLY INCOME

23. Income (current monthly only) before provision for Federal income taxes and extraordinary items

-10,366

[4211]

EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k)

☐ [4550]

(1)--Limited business (mutual funds and/or variable annuities only)

B. (k)

☐ [4560]

(2)(i)--"Special Account for the Exclusive Benefit of customers" maintained

C. (k)

☒ [4570]

(2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)

Clearing Firm SEC#s

Name

Product Code

8- 45411

RBC DAIN RAUSCHER INC.

All [4335B]

[4335A]

[4335A2]

8- _____

[4335D]

[4335C]

[4335C2]

8- _____

[4335F]

[4335E]

[4335E2]

8- _____

[4335H]

[4335G]

[4335G2]

8- _____

[4335J]

[4335I]

[4335I2]

D. (k)

☐ [4580]

(3)--Exempted by order of the Commission

COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition			<u>55,428</u>
				[3480]
2.	Deduct ownership equity not allowable for Net Capital			<u>[3490]</u>
				55,428
3.	Total ownership equity qualified for Net Capital			[3500]
4.	Add:			
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			<u>0</u>
				[3520]
	B. Other (deductions) or allowable credits (List)			
		<u></u>	<u></u>	
		[3525A]	[3525B]	
		<u></u>	<u></u>	
		[3525C]	[3525D]	
		<u></u>	<u></u>	
		[3525E]	[3525F]	<u>0</u>
				[3525]
5.	Total capital and allowable subordinated liabilities			<u>55,428</u>
				[3530]
6.	Deductions and/or charges:			
	A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	<u>24,700</u>		
		[3540]		
	B. Secured demand note deficiency	<u></u>		
		[3590]		
	C. Commodity futures contracts and spot commodities - proprietary capital charges	<u></u>		
		[3600]		
	D. Other deductions and/or charges	<u></u>	<u>-24,700</u>	
		[3610]	[3620]	
7.	Other additions and/or credits (List)			
		<u></u>	<u></u>	
		[3630A]	[3630B]	
		<u></u>	<u></u>	
		[3630C]	[3630D]	
		<u></u>	<u></u>	
		[3630E]	[3630F]	<u>0</u>
				[3630]
8.	Net capital before haircuts on securities positions			<u>30,728</u>
				[3640]
9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
	A. Contractual securities commitments	<u></u>		
		[3660]		
	B. Subordinated securities borrowings	<u></u>		
		[3670]		
	C. Trading and investment securities:	<u></u>		

1. Exempted securities	[3735]	
2. Debt securities	[3733]	
3. Options	[3730]	
4. Other securities	[3734]	
D. Undue Concentration	[3650]	
E. Other (List)		
	[3736A]	[3736B]
	[3736C]	[3736D]
	[3736E]	[3736F]
	0	0
	[3736]	[3740]
10. Net Capital		30,728
		[3750]

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	1,037
	[3756]
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	5,000
	[3758]
13. Net capital requirement (greater of line 11 or 12)	5,000
	[3760]
14. Excess net capital (line 10 less 13)	25,728
	[3770]
15. Excess net capital at 1000% (line 10 less 10% of line 19)	29,171
	[3780]

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	15,567
	[3790]
17. Add:	
A. Drafts for immediate credit	[3800]
B. Market value of securities borrowed for which no equivalent value is paid or credited	[3810]
C. Other unrecorded amounts(List)	
	[3820A]
	[3820B]

	[3820C]	[3820D]	
	<hr/>	<hr/>	
	[3820E]	[3820F]	
		0	0
		[3820]	[3830]
19. Total aggregate indebtedness			15,567
			[3840]
20. Percentage of aggregate indebtedness to net capital (line 19 / line 10)		%	51
			[3850]

OTHER RATIOS

21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	0
		[3860]

SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]					
	[4601]	[4602]	[4603]	[4604]	[4605]
[4610]					
	[4611]	[4612]	[4613]	[4614]	[4615]
[4620]					
	[4621]	[4622]	[4623]	[4624]	[4625]
[4630]					
	[4631]	[4632]	[4633]	[4634]	[4635]
[4640]					
	[4641]	[4642]	[4643]	[4644]	[4645]
[4650]					
	[4651]	[4652]	[4653]	[4654]	[4655]
[4660]					
	[4661]	[4662]	[4663]	[4664]	[4665]
[4670]					
	[4671]	[4672]	[4673]	[4674]	[4675]
[4680]					
	[4681]	[4682]	[4683]	[4684]	[4685]
[4690]					
	[4691]	[4692]	[4693]	[4694]	[4695]
TOTAL \$			0		
[4699]					
Omit Pennies					

Instructions Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

STATEMENT OF CHANGES

STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1.	Balance, beginning of period		<u>63,340</u>
			[4240]
	A. Net income (loss)		<u>-7,911</u>
			[4250]
	B. Additions (includes non-conforming capital of	<u></u>	<u></u>
		[4262])	[4260]
	C. Deductions (includes non-conforming capital of	<u></u>	<u></u>
		[4272])	[4270]
2.	Balance, end of period (From item 1800)		<u>55,429</u>
			[4290]

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS

3.	Balance, beginning of period		<u></u>
			[4300]
	A. Increases		<u></u>
			[4310]
	B. Decreases		<u></u>
			[4320]
4.	Balance, end of period (From item 3520)		<u>0</u>
			[4330]